

Message Text

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FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 1545

INFO AMEMBASSY BUENOS AIRES

AMEMBASSY MONTEVIDEO

AMEMBASSY SANTIAGO

AMEMBASSY ASUNCION

AMCONSUL RIO DE JANEIRO

UNCLAS LA PAZ 5483

FOR INTERIOR PLEASE PASS BUREAU OF MINES

E.O. 11652: N/A

TAGS: ENRG, BL

SUBJECT: ARGENTINA-BOLIVIA SIGN MEMORANDUM OF CONCURRENCE

REF: LA PAZ 2440

1. SUMMARY: BOLIVIAN FOREIGN MINISTER OSCAR ADRIAZOLA ANNOUNCED ON HIS RETURN TO LA PAZ JULY 8 FROM BUENOS AIRES THAT THE GOA HAD SIGNED A MEMORANDUM OF CONCURRENCE WHICH COVERED A NUMBER OF POINTS INCLUDING; INCREASED PRICE FOR BOLIVIAN NATURAL GAS SALES TO ARGENTINA, BOLIVIAN MANGANESE SALES TO ARGENTINA, FIXING SEPTEMBER DATES FOR MEETINGS OF MIXED COMMISSIONS AND FINALLY SUPPORT OF BOLIVIA'S QUEST FOR AN OUTLET TO THE SEA. END SUMMARY.

2. FOREIGN MINISTER ADRIAZOLA RETURNED TO LA PAZ ON JULY 8 FROM ARGENTINA WHERE HE HAD ASSISTED AT THE INAUGURATION OF BOLIVIAN FREE PORT FACILITIES AT ROSARIO. HE WAS QUOTED AS SAYING THAT IN INTERVIEWS WITH PRESIDENT VIDELA UNCLASSIFIED

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AND MINISTER GUZETTI HE ACHIEVED NOT ONLY A REVERSAL OF

DETERIORATING RELATIONS BUT SUCCEEDED IN PUTTING THEM ON THE HIGHEST LEVEL POSSIBLE. HE BROUGHT BACK WITH HIM A PERSONAL MESSAGE FOR PRESIDENT BANZER FROM PRESIDENT VIDELA AND CONFIRMED THAT HE HAD INVITED VIDELA TO VISIT BOLIVIA IN THE NEAR FUTURE. THE SUBJECT MEMORANDUM ALSO CONTAINED GOA EXPRESSION OF CONFIDENCE THAT CURRENT NEGOTIATIONS WOULD LEAD TO SATISFACTORY SOLUTION OF BOLIVIA'S LANDLOCKED STATUS.

3. MINISTER ADRIAZOLA WAS CREDITED THE FOLLOWING DAY BY MINISTER OF ENERGY JIMENEZ GALLO WITH BREAKING A DEADLOCK IN NEGOTIATIONS ON HIGHER PRICE TO BE PAID BY ARGENTINA FOR BOLIVIAN NATURAL GAS. NEGOTIATIONS HAD STARTED IN SANTA CRUZ AND THEN MOVED TO BUENOS AIRES. BOLIVIA (YPPF) HAS ASKED FOR \$1.20 PER THOUSAND CUBIC FEET OF DRY GAS (CURRENTLY \$.82 PER TCF) AND ARGENTINE (YPF) HAD PROPOSED A PRICE REDUCTION OF 5 PER CENT. FINAL AGREEMENT RAISED PRICE FROM \$.82 TO \$.85 PER TCF OR BY 3.68 PERCENT. PREMIUMS FOR LIQUIDS RAISED BY SAME PERCENTAGE OR \$67.76 PER MT AND NATURAL GASOLINE TO \$.115 PER GALLON. NEW AVERAGE PRICE FOR WET GAS THEN IS \$1.005 PER TCF. PRICE IS EFFECTIVE AS OF JULY 1. AND AT CURRENT VOLUMES (150 MILLION CFPD) MEANS AN ADDITIONAL \$2.5 MILLION OF ADDITIONAL INCOME ANNUALLY FOR BOLIVIA. PRICE WILL BE RENEGOTIATED IN DECEMBER. BOTH PARTIES AGREED TO MEET IN AUGUST TO DISCUSS INCREASING VOLUME OF NATURAL GAS PURCHASED BY ARGENTINA. PRESENT CONTRACT CALLS FOR INCREASING QUANTITY FROM 4 MILLION CU. METERS TO 4.86 MILLION CU. METERS IN 1979. YPPF BELIEVES SALES WILL DOUBLE IN 1981 BUT INCREASED VOLUMES WILL NOT CONTAIN SAME PROPORTION OF LIQUIDS I.E. NUMBER OF CALORIES PER CU. FT (NOW 1045) WILL BE LESS AS VOLUME INCREASES.

4. A REPRESENTATIVE OF SIDERSA (STATE STEEL CO.) TOLD PRESS THAT BOLIVIAN DELEGATION HAD OPENED POSSIBILITY OF MANGANESE SALES (FROM MUTUN) TO ARGENTINA STEEL INDUSTRY. SIDERSA OFFICIAL LATER CONFIRMED THAT IT WOULD SHIP 3 TO 4 THOUSAND MT OF MANGANESE DOWN PARAGUAY RIVER TO ARGENTINA BEGINNING NEXT MONTH.

5. ADRIAZOLA ALSO ANNOUNCED MEETINGS OF TWO COMMISSIONS.
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FIRST IS PHYSICAL INTEGRATION COMMISSION TO MEET SEPTEMBER 7 IN BUENOS AIRES. COMMISSION WILL DEAL WITH FOLLOWING POINTS:
-) CONSTITUTION OF COMMISSION, APPROVAL OF RULES, ELECTION OF AUTHORITIES, 2) ANALYSIS OF STUDIES, DONE BY BOTH COUNTRIES, OF MICROWAVE SYSTEM BETWEEN YACUIBA AND SANTA CRUZ, 3) STUDY OF RIVER TRANSPORT BETWEEN THE TWO COUNTRIES, 4) STUDY AND IDENTIFY JOINT HYDROELECTRIC PROJECTS IN TARIJA AND BERMEJO RIVER BASINS, 5) ANALYZE STUDIES OF RESOURCES CONTAINED IN

PILCOMAYO RIVER BASIN, 6) STUDY POSSIBILITY OF A TREATY COVERING HAM RADIO CHANNELS AND OPERATIONS.

6. THE SECOND MEETING SCHEDULED FOR SEPTEMBER 27, IS THE MIXED COMMISSION FOR PERMANENT BOLIVIAN-ARGENTINEAN COOPERATION. THE COMMISSION WILL DEAL WITH THE FOLLOWING ISSUES: -) CONTINUE STUDY OF THE REVISION OF THE COMMERCIAL AGREEMENT OF APRIL 22, 1966, 2) STUDY THE RULES AND LAWS GOVERNING STATUS OF BOLIVIAN WORKERS IN ARGENTINA, 3) DEFINE AND CREATE A BUDGET FOR AN INSTITUTE OF AGRICULTURE AND TECHNOLOGY, 4) DRAW UP A PROJECT FOR COOPERATION IN ANIMAL HEALTH WITH SPECIAL REFERENCE TO COMMON BORDER AREAS, 5) STUDY OF A PROJECT TO ALLOW FREE TRANSIT OF PERSONS AND GOODS, 6) CONSIDER WAYS TO INCREASE SCIENTIFIC AND TECHNICAL COOPERATION AND, 7) STUDY OF STATUS OF ACCOUNTS AT THE CENTRAL BANKS AND ANALYSIS OF ACCOUNTING METHODOLOGY. IN HIS AIRPORT STATEMENT AT EL ATLTO, ADRIAZOLA ALSO SAID THAT IN EXCHANGE FOR SELLING MANGANESE TO ARGENTINA THE GOA WOULD GIVE STEEL INDUSTRY TECHNICAL ASSISTANCE TO BOLIVIA.

6. COMMENT: THE INCREASE IN GAS PRICE RECEIVED FROM ARGENTINA WAS CLEARLY DISAPPOINTING TO TYPF BUT THE STATE OF THE ARGENTINE ECONOMY AND PROSPECT OF INCREASED FUTURE SALES PLUS THE RENEGOTIATION OF PRICE COMING UP IN DECEMBER MADE THE SMALL INCREASE ACCEPTABLE FOR THE MOMENT. THIS MEETING CONTRASTED WITH THE LAST MEETING (SEE REFTEL) IN THAT THE GOA SEEMED SURE ENOUGH OF ITSELF TO ENTER INTO AT LEAST SOME SUBSTANTIVE DISCUSSION AND GRANT SOME CONCESSIONS WHICH THE PERONIST GOVERNMENT WAS UNWILLING OR UNABLE TO DO.
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